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Continuation of the price-cost squeeze for the second year was mainly responsible for the decline in income of farm people in 1949.

Price declines reduced gross farm income 10 percent below 1948. Outlays for farm production items, however, declined only 3 percent. As a result, total realized net income of farm operators was down to 13.8 billion dollars, 17 percent below 1948 and 22 percent under the 1947 peak.

Last year brought the first decline in the assets of agriculture since the beginning of the war, according to preliminary estimates of the balance sheet of agriculture. Total assets on January 1, 1950, amounted to 122.9 billion dollars, nearly 4.4 billion dollars less than on January 1, 1949.

Most of the drop in assets was due to price declines which reduced values of real estate, livestock, and crops stored on and off farms. However, "cash" holdings also suffered as deposits and currency held by farmers dropped during the year.

On the liability side of the balance sheet, indebtedness of the Nation's farmers increased during 1949, rising about 3/4 billion dollars to almost 12 billion. The farm mortgage debt rose for the fourth straight year. Non-real estate indebtedness also continued up but apparently the increase is slowing down.

Currently, economic activity in the United States is about at the level reached in December, after recovery from the slump in mid-1949. Industrial production averaged a little higher in January than in December. Construction activity, although down seasonally from December to January, is above a year ago. Consumers' income, boosted by the veterans' insurance refunds, continues high. Prices generally are stable.

In contrast to the general stability, unemployment rose sharply from December to January. The $4\frac{1}{2}$ million persons looking for work -- about 7 out of every 100 in the labor force -- was a new postwar high. Most of the rise in unemployment was due to seasonal declines in farm and construction employment and the mid-winter lull in trade.

With economic activity generally stable, demand for farm products remains at about the level of recent months. On the average, farmers' prices are not likely to change much during the next couple months.

AGRICULTURAL EXPORTS The value of our exports of farm products dropped to its lowest postwar level in the second half of 1949. During the first half, however, the value was a near-record and the total for 1949 was 3.6 billion dollars compared with 3.5 billion in 1948 and the peak of almost 4 billion in 1947. Part of the decline in the value of farm exports since 1947 is due to lower prices.

With farm production recovering in Western Europe, the value of our exports of food products last year was 30 percent below that of 1947. On the other hand, the value of non-food products went up 71 percent.

LIVESTOCK AND MEAT The seasonal decline in hog prices this spring may be greater than usual since marketings will be above those of last spring. Prices of better grades of cattle are likely to decline seasonally until early summer in contrast to steady advance of last year.

February 1950 passed with no hint of the sharp price breaks that occurred in livestock markets in February of both 1948 and 1949. Prices held generally steady. Quotations for all meat animals except hogs were equal to or above those of last year and compared favorably with those during most of the postwar period. Hogs rose seasonally during the month but continued well below a year earlier.

DAIRY PRODUCTS The number of milk cows in the Nation's herd turned upward in 1949, ending a 5-year decline, the longest on record. On January 1, 24,625,000 head of cows and heifers 2 years old and over were being kept for milk on farms, about 1 percent more than a year earlier.

Declines in prices of milk for fluid purposes are likely as production turns seasonally upward. Prices for manufacturing milk will continue relatively stable through 1950.

EGGS AND POULTRY Supplies are likely to press heavily on egg markets during most of 1950. The laying flock on January 1 was 7 percent larger than a year earlier and the rate of lay during January was a record. Supplies this year would permit consumption per person to exceed the 375 eggs of 1949.

Some reduction in output is in prospect late this year. Poultrymen intend to buy 12 percent fewer baby chicks for laying flock replacement than last year. If this reduction is carried out, it will not affect the number of layers until the final quarter of 1950 and probably will not have much effect on egg prices in 1950.

FATS AND OILS Increased demand in the U. S. market and strong export demand for lard, edible vegetable oils and inedible tallow and grease has pushed the average of fats and oils prices up slightly from the low point of November. No major rise is likely during the rest of the season because production of fats and oils will continue at record or near-record levels.

Larger soybean oil output is in prospect for next year since farmers are apt to put part of the acreage taken out of corn and cotton into soybeans. No acreage allotments will be announced for soybeans.

FEEDS Feed grain prices in February stayed near the January level and averaged slightly higher than a year earlier. Most of the byproduct feeds declined from January to early February. Although they gained some later in the month, they averaged below February 1949.

WHEAT Exports of wheat and wheat products continue to run behind those of recent years. From July 1949 through January, shipments amounted to 193 million bushels compared with 310 million the same period of 1948. Exports for 1949-50 are now expected to total about 375 million bushels compared with last season's record of 503 million.

CCC inventories of wheat plus amounts under price support programs amount to about 500 million bushels. These large holdings may cause wheat supplies in private trade channels to be more limited this spring than last.

FRUIT AND VEGETABLES Supplies of grapefruit still to be marketed after February 18 were slightly smaller than a year earlier. Demand continues strong. As a result, prices are expected to continue at high February levels. Supplies of oranges remaining are about the same as a year earlier. However, processing demand is expected to hold prices considerably above last year's levels.

With total production expected to be a tenth larger than in the early spring of 1949, prices of fresh vegetables in March and April probably will be considerably lower than a year earlier.

The Government has continued to buy potatoes for support. Through February 27, $29\frac{1}{2}$ million bushels had been bought compared with 104 million bushels on the same date last year.

COTTON AND WOOL Further advances pushed spot prices for cotton to the season's highest level in mid-February. U. S. mill consumption and exports are above a year ago. Entries into the CCC loan stocks have been considerably below last season's level.

Consumption of apparel wool in the U. S. last year probably was 343 million pounds, the lowest since 1940. The decline reflects a falling off in retail sales, a reduction in inventories of manufacturers and distributors and an increase in the use of rayon in summer suitings.

Despite the decline, consumption exceeded production plus imports, and stocks of apparel wool dropped a fourth during 1949. This year, consumption of apparel wool is expected to fall within the 330-70 range. Since domestic production and stocks are at low levels, imports must increase considerably if this consumption is to be reached.

TOBACCO Sales of the 1949 tobacco crop, now about completed, brought farmers slightly lower prices than the 1948 crop. Flue-cured prices averaged 47.2 cents per pound, 2.4 cents less than in 1948. Burley prices averaged nearly 45 cents per pound, down a cent from those of the previous season. Both flue-cured and burley averaged above support levels.

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